

U.S. Department of Housing and Urban Development

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Phoenix, Arizona 85004-2361
www.hud.gov/arizona.html**

MAY 09 2000

Honorable Fulton Brock
Chairman
Maricopa County Board of Supervisors
301 West Jefferson, 10th Floor
Phoenix, Arizona 85003

Dear Mr. Brock:

Subject: Annual Community Performance Assessment
Community Development Block Grant (CDBG) Program
Fiscal Year 1998
Final Report

Our office has completed the annual assessment of Maricopa County's FY 1998 CDBG performance. Based upon this review, we have determined that the County has been able to successfully implement community development strategies that address needs originally described in the Maricopa HOME Consortium 1995 Five Year Consolidated Plan. The County's achievements illustrate a continued commitment to embracing a vision of community development that is responsive to the needs identified in the Consolidated Plan.

HUD's Community Planning and Development Division maintains active partnerships with State and local governments for the purpose of achieving meaningful housing and community development results. Our partnerships are forged by the laws, regulations and policies that govern our collective efforts, and by the unique characteristics that define each partner. Our primary objective is to ensure that our joint efforts result in housing and community development programs & initiatives that benefit low-and moderate-income families.

Enclosed is the Annual Community Performance Assessment Report, which discusses the County's Fiscal Year 1998 performance. The report is based upon information made available to this office and does not reflect a comprehensive evaluation of specific program activities.

To ensure that all recipients of HUD funding have unabated and uninterrupted access to their funds and to all HUD computerized information systems, a test was undertaken on January 1, 2000. To assist in this exercise, we asked for the participation of our grantees to complete the test. Mr Jim Prante of the County's Community Development Department, volunteered to assist in the test even though it meant coming to work on a national holiday. Through his participation, Mr. Prante was instrumental in benefiting

all of his Arizona colleagues that rely on HUD's software systems for accessing funds. On behalf of the Department, we greatly appreciate his cooperation and assistance.

In closing, we thank Maricopa County for maintaining its partnership with HUD, a partnership that continues to produce meaningful housing and community development results. If you have any questions, please do not hesitate to contact me at (415) 436-8485, or your HUD CPD Representative, Mr. Louis Kislin, at (602) 379-4754.

Very sincerely yours,

Steven B. Sachs
Director,
Community Planning
and Development Division

Enclosure

cc:
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Maricopa County
Annual Community Assessment Report
1998 Program Year

Part I: Summary of Consolidated Plan / Action Plan Review and Assessment

Our review of the County's Action Plan finds it to be consistent with the priority needs, objectives and strategies contained within the Consolidated Plan. Activities in the Action Plan address priority needs. Sources and uses of funds, as well as geographic distribution of funds, are sufficiently detailed to allow residents of the County to determine how, or if, they will be affected by the County's actions. CPS mapping was not used, however, the County used other mapping software to depict CDBG projects, ethnic density, and unemployment within the County's Community Development Service Areas. Additional data is provided by program target area which details funding distribution by community and activities proposed to address priority needs.

The year 2000 brings to an end the first five-year period for the MARICOPA HOME Consortium's five-year Consolidated Plan. It also denotes the beginning of a new Plan for program years 2000-2004. As the Consortium prepares its 2000-2004 Consolidated Plan, we look forward to reviewing a product that reflects its current needs and goals.

Part II: Summary of Grantees Performance

AFFORDABLE HOUSING

Consortium

Maricopa County continues to experience rapid growth and development. This expansion is creating upward pressure on housing costs. The need for affordable housing for low-income households remains a critical need. According to a recent report issued by the Arizona Housing Commission ("The State of Housing in Arizona 2000") since 1988, the median sales price of single-family homes in metro Phoenix has increased more than 44 percent. And fewer than 6 percent of new single-family homes sold for \$95,000 or less during the 12-month period ending with the third quarter of 1998. This need is also evident when examining the waiting lists for public housing and Section 8 Certificates and Vouchers. Depending on the size of the families and the relative bedroom size of the housing units needed, waiting lists continue to grow. The County and local PHA waiting lists indicate there are several thousand people in need of these resources. On average, it takes 1-2 years for someone on these lists to occupy a public housing unit or receive a Section 8 voucher/certificate.

The Maricopa HOME Consortium Consolidated Plan contains countywide affordable housing priorities for all Consortium members. The high priorities identified in the plan are: housing rehabilitation for existing homeowners whose incomes are 80 percent of area median or below; small family (2-4 persons) non-elderly rental assistance for renters with incomes under 50 percent as well as 51-80 percent of median; and other (one person and unrelated households) non-elderly renter households whose incomes are less than 50 percent of median as well as 51-80 percent.

The Maricopa HOME Consortium, in total, provided assistance for approximately 1,834 housing units/households. Of these 1,834 units/households, 722 were multi-family rentals, 388 were for first time homebuyers, and 846 were for maintaining existing single family stock. Maricopa HOME Consortium HOME funds assisted 216 units of the total 1,834. The balance of the units were provided through the use of Low Income Housing Tax Credits (LIHTC), State Housing Trust Funds, Mortgage Revenue Bonds, Mortgage Credit Certificates, Community Development Block Grant (CDBG) and State HOME funds.

Urban County

As reported in the 1998 CAPER, affordable housing is being assisted and/or provided directly by the 14 Urban County participating communities, the seven metro city entitlement communities, and Maricopa County, or through nonprofit corporations such as Community Services of Arizona, Homeward Bound, Housing For Mesa. and Save the Family Foundation, among others. The County (not including its HOME Consortium participating cities) assisted 47 (single family) units of housing/households —using both HOME and CDBG funds. This assistance included: the rehabilitation of single family homes; down payment and closing cost assistance for families who are first time homebuyers; the reconstruction of homes not suitable for rehabilitation; and the acquisition of homes for resale for income eligible families. CDBG funds are being used typically for assisting homeowners either through rehabilitation, or for down payment and closing costs. No HOME or CDBG assisted projects involving rental properties were completed within the Urban County in 1998-99.

The County's strategy for addressing its rental housing needs is to rely primarily on the private and non-profit sectors to initiate projects. All affordable rental housing units created within the Urban County have been accomplished with non-County funds, such as Low Income Housing Tax Credits, State Housing Trust Funds and private funds. Because of the specific requirements of many of these resources within the Urban County, the units or households assisted are targeted primarily to low and very low-income individuals. The County's HOME and CDBG funds are not being used to leverage these resources.. However, while the County is carrying out programs and activities addressing its affordable housing needs consistent with the strategy established in the Consolidated Plan, the number of new affordable rental and homeowner units produced are only meeting a small portion of the need.

We encourage the County to be more proactive and explore additional ways resources can be used to more effectively plan for and implement its affordable housing strategy. This would include being a catalyst for new partnerships, creative financing and innovative projects especially for rental housing. HUD staff and technical assistance contractors are available to work with the County to assist in achieving this objective.

Consortium

Over the next five years, Maricopa County will continue to grow rapidly. The "State of Housing in Arizona 2000" Report indicates that Maricopa County will experience an annualized projected growth rate (1998 -2003) of 2.5 percent. By 2003 Maricopa County will have 3.1 million residents. Between 1990 and 2003 the population will grow by over 1 million people and 444,135 households. As the Consortium implements its Consolidated Plan/Action Plans for 2000-2004, the County and its Consortium members should explore actions that can be taken to expand the supply of affordable rental and owner-occupied housing, especially in those cities where new development is occurring and the production of affordable housing in the past has been minimal. For example, HOME funds, in conjunction with other resources (i.e.,

tax credits, IDA bond, commercial loans, etc.) could address the needs of those on the Section 8/Public Housing waiting list, a majority of whom have earnings at 0-30 percent of the area median family income. This population is typically unable to access the “affordable” housing currently being developed. Funds could be used for tenant-based rental assistance, for the development and/or acquisition/rehabilitation of “affordable” rental housing to supplement the efforts by the Housing Authorities within the Consortium.

If one of the impediments to providing affordable housing is the need to aggregate HOME funds for a project, we encourage the Consortium to explore a strategy contained in the HOME regulations, which allows costs to be pre-incurred. A HOME PJ may pre-incur costs for a project now and reimburse itself out of the subsequent year’s funds. This is a financing technique available to all PJs. It is a means of maximizing limited HOME dollars and increasing the availability of affordable housing. The rule at 24 CFR 92.212 (Pre-award costs), states that a PJ may use an amount not to exceed 25 percent of its current HOME allocation amount. The Maricopa HOME Consortium’s 1999 HOME grant was \$4.3 million. That means that 25 percent of this amount, or just over one million dollars may be “borrowed” from the subsequent year’s allocation for use in developing much needed affordable housing.

A consensus on any strategy is advisable because rapid growth will increase cost of land and infrastructure. It will therefore challenge the Consortium’s ability to fund new affordable units. We are available to discuss this issue in the future.

ANTI-POVERTY STRATEGY

The dynamics of economic growth within the Urban County also provides an opportunity to assist persons out of poverty, including those under TANF. The CAPER indicates an array of supportive services are being undertaken to assist persons in poverty. Supportive services are provided to assist a number of at-risk populations with the many challenges they face. However, an effective strategy aimed to reduce the number of persons in poverty, should primarily link employment training with job placement. Other supportive services can augment this effort but a good job is the key to moving people out of poverty and into housing. When preparing the anti-poverty strategy for next Consolidated Plan, we recommend that this connection between services provided and job placement be strengthened.

HOMELESS

A major concern is the growing problem of homelessness. To comprehensively address this problem on a national basis, HUD has emphasized a continuum of care approach to assisting homeless people. Assistance often begins with emergency shelters, leading to transitional housing, and ultimately on to independent living in permanent housing. Throughout this continuum, supportive services would be provided to establish and maintain stability among individuals and families.

Recent estimates place the number of homeless people in Maricopa County (all cities and towns) at over 12,000 persons. A majority of these individuals are concentrated in the urban area of the County. As a result, various levels of housing, i.e., emergency shelter, transitional, and permanent, are in great demand. The County assists homeless people and those who are about to become homeless through its network of 13 Community Action Programs (CAPS) as well as the efforts of both the Human Services Department and the County Health Care for the Homeless Clinic. These entities offer and dispense an array of supportive services related to homeless prevention and homelessness. County General Funds have also been used as

match for HUD's Emergency Shelter Grants program.

The homeless assistance provided in the greater Phoenix area is now entering a critical phase. A large number of renewal projects are up for consideration this year and next. Reliance on federal funds alone will not be sufficient to meet the needs of the homeless in the greater Phoenix area. Supportive Housing Program homeless assistance declined for three consecutive years at a time when the need to serve the homeless is at a critical juncture. Funding is increasing this year to \$15.7 million. Next year, many more supportive housing beds will be up for renewal with no guarantee that they will be renewed with federal dollars. A year-round process that includes all of the key participants (i.e., municipalities, public and private sector institutions, faith community, etc.) in the continuum of care strategy is essential. This broadened approach will be necessary to capture additional funding sources required to maintain the current infrastructure of homeless housing and services.

In 1996, Maricopa County, along with the Cities of Phoenix and Mesa, established the foundation of a regional continuum of care strategy for the metropolitan area. While we recognize the County's efforts in the past, the effort of many participating in the process had largely been in response to the annual HUD competitive funding cycles. An active year-round process involving a comprehensive number of stakeholders is in the best interest of the community. Due to the complexity of the homeless problem and the shortfall in available HUD resources, the Maricopa Association of Governments (MAG) has agreed to take the lead in taking the process to the next level. A year-round process that draws upon all public and private entities involved with homelessness is the goal. This effort would further strengthen the continuum of care process already begun by the County and the Cities of Phoenix and Mesa. In support of this effort, and at the request of MAG, HUD and the Stardust Foundation have provided consultant services. The consultants have several long and short-term tasks to accomplish. There isn't a great deal of time available to respond to the next SuperNOFA for HUD funding and facilitate the new strategy as it evolves into the future. We encourage the County to continue its involvement and provide its expertise in support of this effort.

ECONOMIC DEVELOPMENT

Rather than direct assistance to for-profit entities, the Urban County has primarily been using its HUD resources to revitalize neighborhoods, which improves the climate for economic opportunities. For example, activities such as housing rehabilitation, new construction of housing, and improvements to streets, lighting, and water systems contribute to the economic uplift of a community. As a result of the neighborhood revitalization efforts being undertaken by the County within Gila Bend, Avondale, El Mirage, Guadalupe, and in the unincorporated areas of the County, the opportunity is available to benefit from the economic growth occurring within the County. However, the County may also want to consider using its CDBG funds for other economic development activities, such as: commercial or industrial improvements, micro-enterprise assistance, training needed by persons on welfare to enable them to qualify for jobs. There are various ways economic development can be approached to create jobs more directly for low and moderate-income people. We met with County staff and representatives of the County's 14 participating cities early in 1999 to provide training and to discuss ways CDBG funds can be used to create economic opportunities. From our recent discussions with County staff, follow-up training is being requested by these 14 participating cities. Our Phoenix Office staff, through one of HUD's consultants, provided CDBG training on April 19-21, 2000. Although we could not accommodate everyone wishing to participate in the training, our office is available to provide any needed technical assistance.

Maricopa County is one of the fastest growing counties in the nation. At the same time, there are pockets of poverty with people earning very low incomes. Economic development is primarily occurring without the use of CDBG funds. Therefore, with the exception of a commercial revitalization program in downtown Tolleson, the County has not provided direct assistance to for-profit businesses using CDBG funds. Depending on the success of this and another planned economic development project in Tolleson, this trend may change. As the County implements its next 5-year Consolidated Plan, it should consider using other federal and private resources to reach its most disadvantaged residents.

PROGRAM PROGRESS

Examining the County's progress in implementing its CDBG program in a timely manner, we found expenditures to be progressing at reasonable rates and account balances at or below required levels. The standard used by HUD (per the regulations at 24 CFR 570.902) requires a letter of credit balance amounting to no more than 1.5 times the current grant amount, as of April 30, 1999. This requirement was achieved with a rate of .928, which is substantially below the threshold.

The County spent 57.2 percent of all available CDBG funds during the 1998-99 program year. Of the \$3,659,962 spent as of June 30, 1999, 100 percent of the funds were expended on projects that benefited low and moderate income people; 2.9 percent were used to provide needed public services (the cap is 15%); and 13.3 percent were used for planning and administrative expenses, well below the 20 percent maximum allowed by law.

An Emergency Shelter Grant of \$ 133,000 was awarded to Maricopa County for the 1998-99 program year. Funds are being used for homeless prevention, essential services and operating costs of shelter facilities. All ESG funds up to and including the 1998-99 grant year have been disbursed. Obligation and expenditure of grant funds are occurring within 180 days and 24 months respectively from the date of grant approval, as required by HUD regulations.

The Maricopa HOME Consortium received a 1998-99 HOME grant of \$3,956,000. During the course of the 1998-99 program year, the Consortium spent \$5,133,163, or 94.9 percent of available funds. As of July 1, 1999, the County Consortium had approximately \$5,404,898 of HOME funds available to spend, including the 1998-99 grant. The information provided by the County indicates timely commitment and disbursement of HOME funds and a significant improvement from the previous year. The County and respective Consortium members have been successful in their efforts to expend HOME funds in a timely manner.

Part III: Consolidated Annual Performance and Evaluation Report

The data and format of the County's FY 1998-99 CAPER for the CDBG, ESG and HOME Consortium programs were consistent with Departmental guidance provided in the February 18, 1999 memorandum on preparing the CAPER. The CAPER was submitted to HUD by September 30, 1998, which is 90 days after the completion of the program year. The CAPER was found to be acceptable.

Isabel McDougall
Director



MARICOPA COUNTY
COMMUNITY DEVELOPMENT

June 20, 2000

Steven B. Sachs, Director
Community Planning and Development Division
US Department of Housing and Urban Development
450 Golden Gate Avenue
San Francisco, CA 94102-3448

SUBJECT: ANNUAL COMMUNITY PERFORMANCE ASSESSMENT FISCAL YEAR
1998 FINAL REPORT

Dear Mr. Sachs:

This letter is in response to the HUD Annual Community Performance Assessment Report, dated May 9, 2000, which discusses the County's Fiscal Year 1998 - 1999 performance in CDBG and HOME Program related activities.

Because HUD requires that this assessment be made public, this response, while not a federal requirement, is offered to the reader to present additional facts, clarifications, and a balanced perspective on the status of CDBG and HOME Program activities in Maricopa County.

Before commenting on specific sections, it is very important that the reader understand the difference between the two jurisdictions that are being assessed. **The Maricopa HOME Consortium (Consortium) jurisdiction is all of Maricopa County with the exception of the City of Phoenix. The Urban County jurisdiction consists only of the municipalities of Avondale, Buckeye, Cave Creek, El Mirage, Gila Bend, Goodyear, Guadalupe, Litchfield Park, Queen Creek, Surprise, Tolleson, Wickenburg, Youngtown, and all unincorporated areas of Maricopa County.**

These jurisdictions have varying needs and priorities, which are reflected in their individual plans.

The following sections correspond to the sections of the Assessment Report.

Part 1: Summary of Consolidated Plan/Action Plan Review and Assessment

HUD agrees that the action plans (Consortium and Urban County) are consistent with priority needs, objectives and strategies contained within the CP (Strategic plan). Per HUD's direction, a substantial citizen participation process was undertaken by all participating jurisdictions. The highest priority needs of each jurisdiction were identified based on citizen and provider input and hard data from a variety of sources. Strategies

were then developed to address priority needs. Annual plans reflect these directions and activities are selected after taking into account the relative needs and resources available for the activities at the time.

Part II: Summary of Grantees Performance

AFFORDABLE HOUSING

Consortium

The figures in this section, although accurate as far as they go, do not provide the full story because public housing rentals are not included in the total rental figures. If total low-income rentals provided through the Consortium included these figures the number of rental assistance units would far outnumber the owner units activities. There are over 2,000 rental units, certificates and/or vouchers in the Urban County alone.

The use of the "pre-incur cost" regulation to possibly aggregate funding was presented to the Consortium. The Consortium concluded that the Inter-governmental Agreement that created the Consortium precludes the utilization of this regulation.

Urban County

Again, while many of the statements are true, the omission of other facts gives an incomplete picture. In the Urban County alone, there are over 2,000 (total) public housing units and rental certificates and vouchers. This would mean rental assistance totals of 2,000 units and homeowner assistance totals of 47 for the year for the urban county. In addition, although no HOME Program or CDBG-assisted activities involving rental properties were completed during FY 1998-1999, there are at least two major projects in the pipeline that will be reported in future annual reports.

The statement reflecting the fact that the number of new affordable rental and homeowner units produced is only meeting a small portion of the need is true. However, the same statement can be made for infrastructure, public facilities, and public services as well. One only has to look at the need in the original plans to realize that in no category are needs being adequately met.

The statement that the County's CDBG and HOME Program funds are not being used to leverage non-county dollars is inaccurate. In excess of \$1.3m non-county funds were leveraged in FY 1998-1999.

Urban County municipalities are following their highest priority needs as established through the HUD directed process described in the first paragraph of the HUD

Assessment Report. The municipalities are not indicating that affordable housing is not important; indeed it is of vital importance. But the reader should recognize that the municipalities take into account the relative need and resources at the time when establishing an annual plan. This means that if there are other resources available to address certain needs, in this case, rental housing, that fact is considered when deciding on which goals to pursue with limited CDBG and HOME Program funding.

ANTI-POVERTY STRATEGY

HUD's suggestions are noted and will be considered during future planning activity.

HOMELESS

The reader should note that this section applies not only to the Consortium and Urban County, but also to the City of Phoenix.

ECONOMIC DEVELOPMENT

It should be noted that, due to space considerations, HUD specifically requested that subrecipients (municipalities) not attend the CDBG training provided by HUD in April 2000. Nonetheless, some municipalities have indicated that economic development activities are high priorities and intend to pursue these activities. Again, Urban County municipalities are following their plans. They are pursuing their priorities as established in those plans.

In addition, HUD does not take into account that the County spends up to \$1.5 million annually in general funds to contract with economic development agencies to specifically create or retain jobs, maintain a bid source program, increase tourism, and other activities that will otherwise improve or enhance the economic welfare of the citizens of the County.

PROGRAM PROGRESS

We appreciate the comments regarding timely implementation. Both the Consortium and Urban County have had excellent expenditure records compared with other jurisdictions nationally. This is due to the policies and procedures put in place by the Maricopa County Board of Supervisors, the Community Development Advisory Committee, and the municipalities. The commitment and disbursement of HOME Program funds has remained fairly constant and is not a significant improvement from the previous reporting period.

Steven B. Sachs, Dir., CPD, HUD
Annual Community Performance Assessment Response
June 20, 2000
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In conclusion, we welcome HUD's comments and suggestions. In return, we make a request. In the future, if HUD has concerns with priorities established by the citizen-driven process, we request that these concerns be voiced at the time of plan review and approval, not after HUD acceptance.

Such timing will enable us to refine the plans and strategies at the appropriate time. Reaching consensus on goals ahead of time will allow both jurisdictions and HUD to focus on results or the accomplishment of goals in future assessments.

We encourage the reader to review our Annual Report, which clearly outlines priorities of the individual cities and towns and exactly where and how the federal CDBG and HOME Program funding is spent.

Sincerely,

A handwritten signature in cursive script that reads "Isabel McDougall". The signature is written in dark ink and is positioned above the printed name.

Isabel McDougall

Director

IHM/mro

c: Lou Kislin, CPD Rep., Phoenix Office